

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
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FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 7522
INFO AMEMBASSY BONN
AMEMBASSY PARIS

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PARIS FOR OECD
TREASURY AND FED

E.O. 11652: N/A
TAGS: EFIN, AU
SUBJECT: US DOLLAR AT NEW LOW

1. RENEWED WEAKNESS OF US DOLLAR ON INTERNATIONAL MARKETS WAS REFLECTED IN VIENNA BY A DROP OF MIDDLE EXCHANGE RATE TO NEW RECORD LOW OF AS14.2275 PER US\$1.00 ON AUGUST 9. THIS WAS DOWN 2.0 PERCENT IN TWO DAYS. PREVIOUS RECORD LOW OF AS14.3975 WAS RECORDED ON MARCH 1, 1978. DECLINES WERE ALSO NOTED FOR MOST OTHER CURRENCIES OFFICIALLY TRADED IN VIENNA. THE EASING OF UPWARD PRESSURE ABROAD ON THE JAPANESE AND SWISS CURRENCIES CONTRIBUTED TO A LOWERING IN VIENNA OF THE YEN BY 1.0 PERCENT TO AS7.663 IN TWO DAYS, WHILE THE SWISS FRANC, AFTER 0.4 PERCENT DECLINE YESTERDAY MORE THAN REGAINED THE GROUND LOST BY RISING TO AS851.50 TODAY. THE D-MARK WAS QUOTED SLIGHTLY HIGHER AT AS721.40 AFTER AS720.70 TWO DAYS AGO.

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2. COMMENT: VIENNA DEALERS NOTE CONSIDERABLE SPECULATIVE ELEMENTS IN THE MARKET WHICH THEY ATTRIBUTE TO EXPECTED SNAKE REALIGNMENT IN CONNECTION WITH EFFORTS TO CREATE EUROPEAN CURRENCY UNION. PRESENT WEAKNESS OF BELGIAN, NORWEGIAN, DANISH AND DUTCH CURRENCIES WITHIN SNAKE, TOGETHER WITH MOVE OUT OF

SWISS FRANC AND YEN IN FAVOR OF D-MARK, IS SEEN AS INDICATION THAT ACTION TO EASE STRONG UPWARD PRESSURE ON DM WILL HAVE TO BE TAKEN SHORTLY. AS AN ADDITIONAL DESTABILIZING ELEMENT DEALERS REFER TO PERSISTENT RUMORS OF A FORTHCOMING OPEC OIL PRICE INCREASE AND POSSIBLE SHIFT AWAY FROM US DOLLAR FOR ESTABLISHING LIMITED OFFICIAL USE

OIL PRICES. REGARDING US CURRENCY, VIENNA DEALERS MAINTAIN THAT US INACTIVITY IN EXCHANGE MARKETS AND PESSIMISTIC FORECASTS OF DOUBLE DIGIT INFLATION AND HIGHER UNEMPLOYMENT ARE MAJOR FACTORS ACCOUNTING FOR THE WEAKNESS OF THE DOLLAR.

3. THE D-MARK MIDDLE RATE HAS PASSED AS721 SEVERAL TIMES IN JULY, BUT AT AS721.40 IT REACHED ITS HIGHEST LEVEL SINCE EARLY LAST MARCH, WHEN THE PRECEDING DOLLAR LOW HAD PUSHED THE D-MARK UP TO AS721.50. AUSTRIAN NATIONAL BANK EXCHANGE RATE SPECIALISTS SEE THE D-MARK HOLDING BETWEEN AS721.30 AND AS721.50 IN COMING WEEKS IF UNREST ON INTERNATIONAL MARKETS PERSISTS. EVEN AT THIS LEVEL THE D-MARK WOULD BE ONLY 0.4 PERCENT ABOVE THE UPPER INTERVENTION POINT OF 718.90 WHICH WAS FORMALLY ABANDONED AT THE END OF LAST YEAR.

4. PLEASE INSERT AFTER SUBJECT - REF: 77 VIENNA 10895.
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WOLF

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
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Current Classification: UNCLASSIFIED
Concepts: DOLLAR
Control Number: n/a
Copy: SINGLE
Draft Date: 09 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
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